

UNITED STATES DISTRICT COURT

for the

Eastern District of Michigan

United States of America

v.

Jermaine Arnett

Case: 2:21-mj-30517

Assigned To : Unassigned

Assign. Date : 11/3/2021

Case No.

Description: RE: JERMAINE
ARNETT (EOB)


CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.


On or about the date(s) of May 2020- Present in the county of Oakland in the
Eastern District of Michigan, the defendant(s) violated:

<i>Code Section</i>	<i>Offense Description</i>
18 U.S.C. § 1028A	Aggravated Identity Theft
18 U.S.C. § 1341	Mail Fraud
18 U.S.C. § 1342	Fraud Using a False Name and Address
18 U.S.C. § 1343	Wire Fraud
18 U.S.C. § 1344	Bank Fraud
18 U.S.C. 1956; 18 USC § 922(g)	Money Laundering ; Possession of a Firearm by a prohibited person

This criminal complaint is based on these facts:

☒ Continued on the attached sheet.Sworn to before me and signed in my presence
and/or by reliable electronic means.Date: November 3, 2021City and state: Detroit, MI
Complainant's signatureAndrew Donohue - Special Agent

Printed name and title


Judge's signatureDavid R. Grand - U.S Magistrate Judge

Printed name and title

**AFFIDAVIT IN SUPPORT OF
CRIMINAL COMPLAINT**

I, Andrew P. Donohue, being first duly sworn, hereby depose and state as follows:

INTRODUCTION AND AGENT BACKGROUND

1. I am a Special Agent with the U.S. Department of Labor, Office of Inspector General, Office of Investigations - Labor Racketeering and Fraud (DOL-OIG/OI-LRF). I have been employed within the DOL since September 2006. I am currently assigned to the Federal Bureau of Investigation's (FBI) Organized Crime and Labor Racketeering Task Force located in Detroit, MI.

2. I have graduated from the Criminal Investigator Training Program (CITP) and the Inspector General Investigator Training Program (IGITP) at the Federal Law Enforcement Training Center (FLETC). I have also received training in documentary and electronic evidence given by members of the Computer Crime & Intellectual Property Section (CCIPS) of the U.S. Department of Justice.

3. I make this affidavit based upon personal involvement in the subject criminal investigation, including the review of financial records, utility records, internet service provider records, property records, law enforcement intelligence data bases, criminal histories, records from SOM regarding UI claims, search

warrants and subsequent review of seized evidence, and law enforcement surveillances detailing a large-scale UI fraud scheme perpetrated by Jermaine Arnett. I have also been provided with information from other law enforcement agents and officials from the United States Secret Service (USSS), the Internal Revenue Service – Criminal Investigations (IRS-CI) and the State of Michigan’s Fraud Investigation Unit (SOM-FIU). Because this affidavit is submitted for the limited purpose of supporting a criminal complaint and arrest warrant, it does not necessarily contain all information and facts discovered and developed in the course of this investigation.

4. As a result of my participation in this investigation, I submit that there is probable cause to believe that Jermaine Arnett and others have committed federal crimes, including aggravated identity theft, mail fraud, fraud using a false name and address, wire fraud, bank fraud, money laundering, and conspiracy to commit each of the same, as well as firearms crimes, all in violation of 18 USC §§ 371, 1028A, 1341, 1342, 1343, 1344, 1349, 1956 & 1956(h), 922(g), and 922(k).

EXECUTIVE SUMMARY

5. Beginning in late May 2020 and continuing through the present, investigating agents identified a UI fraud ring that was defrauding the States of

Arizona, Maryland, and Michigan of millions of federal dollars earmarked for Pandemic Unemployment Assistance. Agents have determined that Jermain “Maine” Arnett (Arnett), Terrance Calhoun Jr. (Calhoun JR), and likely others yet unknown, have filed hundreds of false UI claims against these states using only a handful of Internet Protocol addresses and mailing addresses. The false claims resulted in Bank of America mailing debit cards loaded with PUA funds to addresses controlled by Arnett and Calhoun JR. Once in receipt of the debit cards, the suspects, including Arnett, began systematically unloading the cash by making large cash withdrawals at ATMs located within the Eastern District of Michigan (EDMI). During search warrants conducted earlier in the investigation, the agents seized significant evidence of the PUA fraud as well as firearms possessed by Arnett, a convicted felon.

UI – BACKGROUND & COVID-19

6. The Social Security Act of 1935 initiated the federal and state unemployment insurance system. The system provides benefits to individuals who are unemployed for reasons beyond their control. The purpose of the UI system is twofold: first, to lessen the effects of unemployment through cash payments made directly to laid-off workers, and second, to ensure that life necessities are met on a

weekly basis while the worker seeks employment. In the State of Michigan, the UI system is administered by the Unemployment Insurance Agency.

7. State unemployment systems and benefits are joint state and federal enterprises largely financed by taxes on private employers located in that state. As of the time of this application, the federal government is providing significant supplemental benefits to the states because of the COVID-19 pandemic. Beginning in or about March 2020 and continuing through the present, the Families First Coronavirus Response Act (FFCRA); Coronavirus Aid, Relief, and Economic Security (CARES) Act; and American Rescue Plan Act of 2021 (ARPA) have created federal programs that allowed for the significant outlay of federal funds flowing to and through the states to offset the historic need for unemployment benefits by the American workforce, including in the SOM and in the EDMI. Collectively, these benefits are oftentimes referred to as Pandemic Unemployment Assistance.

PROBABLE CAUSE

8. In the summer of 2020, records from the nation's State Workforce Agencies detailed that three addresses located in Pontiac, MI, were listed on a

significant number of PUA claims filed nationwide. Agents learned that the addresses 21 Charles Lane, Pontiac, MI 48341 (21 Charles Lane), 148 Charles Lane, Pontiac, MI, 48341 (148 Charles Lane), and 438 Kenilworth Avenue, Pontiac, MI 48341 (438 Kenilworth) were listed as the mailing address on over 500 PUA claims filed across the United States beginning in the Spring of 2020, including PUA claims against SOM, the State of Maryland, and the State of Arizona.

9. Further scrutiny of the claim data revealed that over of 200 of the claims originated from a single IP address: 73.145.12.205 (IP 205). Comcast records detailed that IP 205 was statically assigned to the residence located at 21 Charles Lane.

10. Around this time, agents also received information from Bank of America (BOA) identifying what they believed to be a criminal network operating in the Pontiac, MI, area involving 503 prepaid cards. BOA further disclosed that the network appeared linked by common residential addresses at 21 Charles Lane, 148 Charles Lane, and 438 Kenilworth Ave, as over 400 BOA cards had been issued that were associated with those addresses. Agents note that, MI, AZ, and

MD, have arrangements with BOA to provide UI benefits in a pre-loaded debit card that BOA mails to the claimant using the U.S. Postal Service.

11. BOA disclosed that between April 29, 2020, and July 1, 2020, the 503 cards were funded with over \$4 million in ACH credit loads from three states, AZ, MI, and MD. BOA also noted that Maryland later unloaded and reversed over \$2.5 million of that amount from the recently funded cards, suggesting that the state became aware of activity and took action to mitigate their losses.

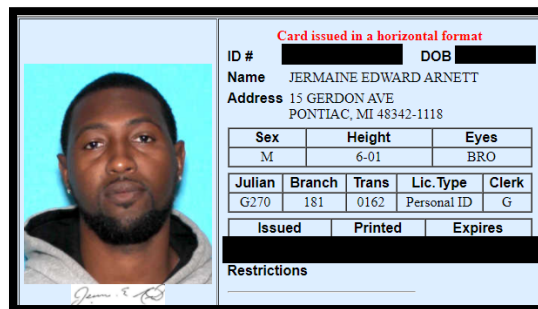
12. BOA also disclosed that Between May 1, 2020, and July 13, 2020, a total of \$1,735,620.55 in purchases and cash withdrawals were made via this network of cards. The majority of the depleted funds were withdrawn at BOA ATMs located in Troy, Bloomfield Hills and Rochester Hills, MI.

13. Agents reviewed financial records provided by BOA and determined that of the \$1,735,620.55 identified above, at least \$1,477,570 was withdrawn in cash via BOA ATMs. Agents identified over 1,500 separate ATM withdrawals made on over 190 cards between May 1, 2020 and July 13, 2020 to account for the over \$1.4 million in cash obtained. Analysis of the ATM withdrawals also showed that the events occurred typically in the early morning, involved the use of

multiple cards in a 5 to 30 minute period, and that the majority of the withdrawals were for a \$1,000.

14. The pictures below include ATM surveillance photos taken between May and July 2020 relating to financial transactions on BOA cards tied to the scheme. Agents identified the individual in the photos as Jermaine Arnett. Agents specifically note that none of the financial transactions or cards associated with the images below are in the name of Arnett:

Known photo of Arnett:



ATM Photos:



The image above was captured on May 23, 2020 at approximately 8:02 am at an ATM located in Pontiac, MI. BOA records detail that a \$900 cash withdrawal was made on BOA card ending 2865 in the name of “ALEXANDYR FETZER.” The mailing address associated with the card is 438 Kenilworth.



The image above was captured on June 9, 2020 at approximately 10:15am at an ATM located in Pontiac, MI. BOA records detail that a balance inquiry was made utilizing BOA card ending #9908 in the name of “ALEXUS APPLGATE.” The mailing address associated with the card is 21 Charles Lane.

15. Arnett's criminal history details that he has been convicted of multiple crimes, including felony convictions that disqualified him from owning or possessing firearms. A selection of those crimes is detailed below:

- a. November 2009: a felony conviction in Michigan's 6th District Court for possessing less than 25 grams of a controlled substance (cocaine, heroin, or another narcotic) in violation of MCL 333.74032A5.
- b. April 2012: 3 felony convictions in Michigan's 6th District Court for possessing less than 50 grams of a controlled substance (cocaine, heroin, or another narcotic). All three counts were in violation of MCL 333.74032A4.
- c. September 2013: another felony conviction in in Michigan's 6th District Court for possessing less than 50 grams of a controlled substance (cocaine, heroin, or another narcotic) in violation of MCL 333.74032A4.
- d. October 2017: another felony conviction in Michigan's 6th District Court for possessing less than 25 grams of a controlled substance (cocaine, heroin, or another narcotic) in violation of MCL 333.74032A5.

16. In September 2020, investigating agents applied for, obtained, and executed search warrants at 21 Charles Lane, 148 Charles Lane, and 438 Kenilworth.

17. While executing the warrants detailed above, investigating agents encountered Arnett at 438 Kenilworth. During the search of 438 Kenilworth, Agents seized the following noteworthy items:

- a. A T-Shirt bearing the image of Elvis Presley. Agents note that Arnett appears in the same T-Shirt in the ATM photos above. An evidence photo of the seized shirt appears below:



- b. Multiple pre-paid BOA bank cards from the State of Maryland.

Images of the cards appear below. Agents note none of the cards are in Arnett's name.



- c. Numerous other pre-paid, debit, and credit cards, images of which appear below:



Terrance Calhoun Jr.


18. During the investigation, agents identified another individual involved in the scheme. Terrance Calhoun Jr. Like Arnett, Calhoun Jr was identified, in-part, by ATM surveillance footage related to the scheme; a selection of that footage is detailed below. Agents specifically note that none of the

financial transactions or cards associated with the images below are in the name of Calhoun Jr. The investigation also showed that Calhoun Jr lived at 21 Charles Lane and controlled IP205.

ATM Photos:



Known photo of CALHOUN Jr.:

		Card issued in a horizontal format			
		DL #			DOB
		Name	TERRENCE OCTAVIUS CALHOUN JR		
		Address	137 CHARLES LANE PONTIAC, MI 48341		
Sex	Height	Eyes			
M	5-09	BRO			
Julian	Branch	Trans	Lic.Type	Clerk	
Issued		Printed		Expires	
Endorsements					
Restrictions		null			
DB Record		Active			
Check SOS for current applicant data					

19. In October 2020, Calhoun Jr consented to an interview with federal agents and entered into a written agreement requiring Calhoun Jr. to provide truthful and complete information to agents. Calhoun Jr told agents that he was involved in a scheme to defraud multiple U.S. States of PUA benefits. Calhoun Jr identified Arnett as a confederate who was also involved. Calhoun Jr told agents that Arnett stayed on Kenilworth Ave. Calhoun Jr. and Arnett filed false claims PUA claims against the nation's UI systems using stolen identities. Oftentimes, Calhoun Jr. and Arnett used Calhoun Jr's Wi-Fi internet connection to file the claims. The two also used Calhoun Jr's address (21 Charles Lane) as the mailing address to receive the cards. Calhoun Jr and Arnett kept track of the incoming BOA debit cards that came to 21 Charles Lane and Calhoun Jr. provided Arnett any BOA debit cards that came for Arnett's false claims. In exchange for using Calhoun Jr's mailing address, Arnett paid Calhoun Jr. about \$100 per mailing (i.e., per card). Calhoun Jr also described having conversations with Arnett about the scheme, including the best way to remove cash from the cards to avoid the cards being frozen by the bank and the money becoming inaccessible.

Mail Fraud, Fraud Using False Name and Address, Bank Fraud & Aggravated Identity Theft

20. With respect to the use of U.S. Mail, the outlay of PUA funds described above involved hundreds of PUA claims and BOA bank accounts created using names, social security numbers and other means of personal identification other than the names, social security numbers and personal identifiers of Arnett and Calhoun. The financial information for the PUA claims and the associated bank accounts detail that many of the claims paid via Bank of America debit cards were mailed to either 21 Charles Lane or 438 Kenilworth Avenue via the U.S. Postal Service.

21. Through this and other PUA investigations, I learned that BOA, a federally insured financial institution, utilizes a unique routing number for PUA claims issued by Michigan and Maryland and mails debit cards pre-loaded with funds for such PUA claims via the U.S. Postal Service to the particular physical address associated with the claim. Listed below are 12 instances where BOA mailed, via the U.S. Postal Service, pre-loaded debit cards loaded with over \$1,000 in PUA funds that had been in the custody and control of BOA to 438 Kenilworth, the address where agents encountered Arnett during the execution of a search warrant and as to which a false name and/or address appears to have been used to create the associated PUA claim.

Claim Date	State	SSN	First Name	Last Name	Amount Paid	Mailing Address
5/8/2020	MI	xxx-xx-0142	Sean	Fxxxxx	\$4,560	438 Kenilworth Ave
5/12/2020	MI	xxx-xx-3536	Mark	Fxxxxx	\$5,480	438 Kenilworth Ave
5/12/2020	MI	xxx-xx-2391	Eleanor	Fxxxxx	\$5,480	438 Kenilworth Ave
5/14/2020	MI	xxx-xx-1871	Yrume	Fxxxxx	\$5,480	438 Kenilworth Ave
5/14/2020	MI	xxx-xx-0542	Kayla	Fxxxxx	\$5,480	438 Kenilworth Ave
5/15/2020	MI	xxx-xx-3379	Alexandyr	Fxxxxx	\$4,720	438 Kenilworth Ave
6/1/2020	MD	xxx-xx-5712	Dannie	Dxxxxx	\$10,990	438 Kenilworth Ave
6/1/2020	MD	xxx-xx-0816	Darryl	Dxxxxx	\$10,990	438 Kenilworth Ave
6/1/2020	MD	xxx-xx-4127	Destiny	Dxxxxx	\$14,080	438 Kenilworth Ave
6/1/2020	MD	xxx-xx-3423	Diamond	Dxxxxx	\$14,080	438 Kenilworth Ave
6/1/2020	MD	xxx-xx-8403	Mykalah	Dxxxxx	\$10,990	438 Kenilworth Ave
6/2/2020	MD	xxx-xx-8103	Ryan	Dxxxxx	\$10,990	438 Kenilworth Ave

Wire Fraud

22. As referenced above, the source of the fraudulent funds in this investigation is PUA funds derived from claims filed in the states of Michigan, Maryland, and Arizona using each states' State Workforce Agency (SWA). The United States Department of the Treasury (Treasury) has advised that it disburses PUA funds to the SWAs through Treasury's program entitled Automated Standard Application for Payments, commonly referred to as "ASAP." ASAP is an electronic system that federal agencies use to securely transfer money to recipient organizations. SWAs have accounts in ASAP, from which it may draw funds to

make payments to individual recipients. Before being able to draw down those funds, the funds must first be placed in the SWA's ASAP account. Federal agencies use Treasury's asap.gov site to self-create and fund the SWA's ASAP account. The flow of funds from the ASAP account to the SWA's bank account always occurs in one of two electronic payment methods: an Automated Clearinghouse payment, commonly referred to as an "ACH," or by another electronic service operated by the Federal Reserve Bank (FRB) system called Fedwire. Once the SWA makes this request, the Treasury Web Applications Infrastructure (commonly referred to as the TWAI) routes the funds through one of two Operations Centers, either the Dallas Operations Center (DOC) located in Dallas, Texas, or the East Rutherford Operations Center (EROC) located in East Rutherford, New Jersey. The payment path always includes routing through one of these two centers for processing. This is one way in which interstate wires were used in this case.

23. As detailed herein, agents determined that Comcast static IP address IP 205 was assigned to 21 Charles and filed hundreds of fraudulent claims. Listed below is a sample of claims filed by that Michigan-based IP address against the State of Maryland's computer systems. Agents note that each claim lists 438

Kenilworth as the mailing address. This is another way in which wires and signals were used across state lines in the fraud.

State	IP	Mailing Address	SSN	First Name	Last Name	Amount	
MD	73.145.12.205	438 Kenilworth	XXX-XX-7494	AQUIL	F----	\$8,930	
MD	73.145.12.205	438 Kenilworth	XXX-XX-3550	NICHOLA	F-----	\$10,990	
MD	73.145.12.205	438 Kenilworth Ave	XXX-XX-8103	RYAN	D-----	\$10,990	

Money Laundering

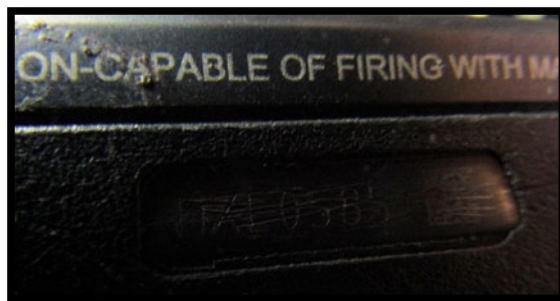
24. The investigation identified over 500 PUA claims listing the addresses cited above which resulted in the issuance and mailing of pre-paid debit bankcards from BOA (a financial institution) funded with over \$4 million ACH credit loads that had been wired through interstate commerce from the States of Arizona, Maryland, and Michigan in less than a three-month span, between April and July 2020. The financial records obtained also show at least \$1,477,570 was withdrawn in cash via BOA ATMs in over 1,500 separate ATM withdrawals

made on over 190 cards during that same timeframe. It is through this conversion of the proceeds of the fraud to cash that the co-conspirators conceal and disguise the true source of the fraudulent funds. Through my time in the DOL and through investigating multiple PUA fraud cases, I know that the utilization of cash by fraudsters allows them to avoid using credit/debit cards in the names of others (many times issued by other States), which can and do raise significant questions by the vendors with which the fraudsters seek to do business.

Firearms Violations

25. As indicated above; investigating agents applied for, obtained, and executed search warrants at 438 Kenilworth in September 2020. Along with the evidence detailed above, agents seized a Smith & Wesson .45 Shield Handgun with altered/obliterated serial number HXL0585. The firearm was found in a bedroom closet amongst men's clothing, including a pair of men's Haynes underwear. Agents also found the Elvis Presley T-Shirt detailed above in the very same closet. At the time agents executed the warrant, Arnett was the sole male resident at the address.

26. A photo of the firearm and a photo of the altered/obliterated serial number appear below:




27. Based on my training and experience, and open source information available surrounding the manufacture of Smith & Wesson firearms, I know that Smith & Wesson does not manufacture firearms within the State of Michigan. Instead, Smith & Wesson manufactures its “Shield” line of firearms at its factory located in Springfield, MA. This is all to say that at some point in its lifespan, the firearm was transported across state lines.

Conclusion

28. Based on the forgoing, there is probable cause to believe that Jermaine Arnett has committed federal crimes, including aggravated identity theft

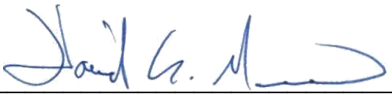
(18 U.S.C. § 1028A), mail fraud (18 U.S.C. § 1341), fraud using a false name and address (18 U.S.C. § 1342), wire fraud (18 U.S.C. § 1343), bank fraud (18 U.S.C. § 1344), money laundering (18 U.S.C. 1956), and conspiracies to commit each of those acts (18 U.S.C. § § 371 & 1956(h)), as well as Possession of a Firearm by a prohibited person (18 USC § 922(g)) in connection with a scheme to defraud the federal/state unemployment insurance program and obtain unemployment benefits by means of false and fraudulent pretenses and representations, and has also committed federal crimes of being a felon in possession of a firearm (18. U.S.C. § 922(g)), and knowingly possessing a firearm with an altered/obliterated serial number (18 USC § 922(k)).

Respectfully submitted,



Andrew Donohue
Special Agent
United States Department of Labor

Sworn to before me and signed in my presence and/or by reliable electronic means.



Honorable David R. Grand
UNITED STATES MAGISTRATE JUDGE

November 3, 2021